

WHAT'S DRIVING WALL STREET TO THE HAMPTONS? FEAR

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What's interesting is that, among the Wall Streeters I spoke to who were planning to buy or rent in the Hamptons this summer, the main reason wasn't optimism. It was fear.

HAMPTONS HOME SALES

When it comes to home sales in the Hamptons, the fear is about the market. There's a desire for diversification and for some, that means Hamptons real estate.

The average sale price of a Hamptons home was up 15.6 percent to \$2.38 million in the fourth quarter from a year earlier, according to the latest report from Douglas Elliman Real Estate.

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However a narrower look at the 10 most expensive homes sold in the Hamptons last year by the Town & Country Real Estate in East Hampton showed a 20-percent decline from a year earlier. And, fourth-quarter sales volume was lower year-over-year, according to that Elliman report. It was attributed to lower inventory.

"There's plenty of demand for properties that are correctly priced," said Robert Nelson, senior managing director for Brown Harris Stevens. "The buyers today are completely comfortable taking money out of the volatile markets to purchase a home. And there's new money coming into the market."

"My bank kept giving me deferred bonuses," said one trader who works in equity sales. "After the mess in 2008, I got restricted stock instead of cash. I couldn't sell it for a few years, but now I can. So I'm buying a \$3 million house in the Hamptons."

And, as it turns out, Wall Street employees who've received company stock instead of cash have profited because most bank equities have risen over the last five years.

SUMMER FAMILY RENTALS

The summer rental market may actually get a boost and, while the reason is also fear, it's not fear about the market. It's about the recent spate of terrorist attacks.

"Customarily, we take off to Europe in August," said one longtime hedge-fund manager. "But we're going to rent in the Hamptons for three months instead."

"I'd rather spend \$300,000 for a full season then worry about what will happen over there," he said.

It's a sentiment is shared by many. According to a recent CMO Council report, travelers have altered their plans in the past year because of safety and health concerns. And, of the 2,000 surveyed, 83 percent said terrorist activity is their main concern.

"Foreign-exchange rates used to be a big factor on summer travel," one sell-side analyst said. "The dollar is stronger than the euro. It's significant. But I feel safer sending the family out there for three months. I'll commute on weekends and take August off."

"We're always cautiously optimistic," said Dee Perfido from Kerrigan Country Realty. "It's the usual cycle. Rentals are available, but inventory is lower due to the number of sales."



SUMMER SHARE HOUSES

Of course, it's not just families who rent for the summer. One of the oldest Wall Street pastimes is the Hamptons summer share house.

As you might imagine, home owners typically don't like to rent to large groups of people, especially when it's to testosterone-charged, new money twentysomethings.

But that doesn't stop young Wall Streeters from figuring out how to game the system.

"We come up with an entire backstory before we meet the agent or owner," Michael a young hedge funder said. "We figure out who will be brother and sister and who's a couple. Or whatever. We have to give the sense that it'll be a nice calming summer so they'll rent to us."

There are houses out east that cater to this type of renter, but the supply gets smaller every year. No one wants their house trashed. "It's not worth it," Margie a home owner on Dune Road said. "I've rented my house to some losers over the years. I won't do it again."

After surveying a few dozen Wall Streeters who partake in the Hamptons madness, the average rental prices is around \$50,000 for a full season, which is in line with last summer. But the price has been creeping higher every year: Ten years ago, you could find a big rental for \$35,000.

Not surprisingly, there's not a lot of fear in this young Wall Street summer rental crowd. They're not afraid of the market. They're not afraid of the terrorism. The only thing they may be afraid of is getting busted on their story that they're a traveling folk group.

HERE'S A PEEK AT SOME OF THE OPTIONS FOR THIS SUMMER:

For \$1.2 million, you can rent this house [listed by Michael Gary of Town & Country Real Estate's Southampton Office] from Memorial Day to Labor Day.

Or this beauty for \$2.5 million [listed with Corcoran] for the season.

Divided by five, that would only be \$500,000 per person.

Who's with me?!

(And when you answer, please specify if you would like to be my brother, sister, wife, girlfriend or hairdresser.)